

Message Text

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ACTION EA-09

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CIAE-00 COME-00 DODE-00 EB-07 FRB-01 H-02 INR-07

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CIEP-02 SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 HEW-06 SCSE-00 OES-06 ERDA-07 ACDA-10

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FM AMCONSUL AUCKLAND

TO SECSTATE WASHDC 596

INFO USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY SEOUL

AMEMBASSY TOKYO

CINCPAC HONOLULU

UNCLAS AUCKLAND 140

E.O. 11652: N/A

TAGS: ETRD, PFOR, NZ

SUBJ: PRIME MINISTER MAKES MAJOR POLICY SPEECH IN AUCKLAND

PRIME MINISTER (AND FINANCE MINISTER) ROBERT MULDOON CHOSE THE
FORUM

OF THE N.Z. BUREAU OF IMPORTERS AND EXPORTERS TO DELIVER A MAJOR
SPEECH ON DOMESTIC AND FOREIGN POLICY. HE SPOKE ON APRIL 7 - THE
EVE OF HIS DEPARTURE ON HIS FIRST OVERSEAS TRIP AS PRIME MINISTER -TO
A GROUP OF ABOUT FIVE HUNDRED AUCKLAND BUSINESSMEN MEMBERS OF
THAT

INFLUENTIAL ORGANIZATION. HE OUTLINED HIS FOREIGN ECONOMIC POLICY
AND SUMMARIZED WHAT HE EXPECTED TO ACCOMPLISH ON HIS FORTHCOMING
TRIP. HE ASKED FOR THE UNDERSTANDING AND SUPPORT OF THE BUSINESS
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COMMUNITY IN HIS EFFORTS TO BRING N.Z. BACK TO ECONOMIC HEALTH AND TO OPPOSE DOMESTIC GROUPS TRYING TO DRIVE WEDGE BETWEEN N.Z. AND U.S.

MULDOON POINTED OUT THAT COMBINED EXPORTS AND IMPORTS ACCOUNT FOR 45 PERCENT OF N.Z.'S GNP, AND 85 PERCENT OF EXPORTS COME FROM AGRICULTURE AND FORESTRY. THESE FACTS VIRTUALLY DETERMINE MAJOR THRUST OF N.Z. FOREIGN POLICY. HE SAID N.Z.'S PRESENT ECONOMIC SITUATION IS NOT GOOD: INTERNAL DEMAND IS HIGH, CONSUMPTION IS AT UNSUSTAINABLE LEVEL, AND INVESTMENT IS DOWN. PRIVATE SECTOR IMPORTS ARE TOO HIGH DESPITE RECENT ADDITIONAL GNZ RESTRICTIONS. AT SAME TIME, FOREIGN PRICES FOR N.Z. AGRICULTURAL PRODUCTS ARE LOW. N.Z. CANNOT SUSTAIN SUCH DISADVANTAGEOUS TERMS OF TRADE. SAID DURING

TRIP HE WILL DISCUSS WITH FOREIGN GOVERNMENTS VARIOUS MEANS OF ALLEVIATING N.Z.'S SITUATION. WILL ATTEMPT TO WORK OUT "DIRECT TRADING AGREEMENTS" WITH MAJOR TRADING PARTNERS, ESPECIALLY EC. WILL DISCUSS WITH SOME GOVERNMENTS, ESPECIALLY JAPAN, ARBITRARY EXCLUSIONS AND LIMITATIONS ON N.Z. PRODUCTS. SAID HE WILL TELL OECD HE IS NOT PREPARED TO HAVE THEM USE FARM IMPORTS FROM N.Z. AS BALANCING FACTOR AGAINST THEIR INTERNAL DEMAND WHILE ENJOYING BENEFITS OF N.Z. IMPORTS OF THEIR INDUSTRIAL PRODUCTS. ADDED THAT HE WOULD LIKE TO SEE A MORE EVEN TRADING PATTERN WITH JAPAN AND THE USSR, AND THAT SHARP FLUCTUATIONS IN THEIR DEMAND FOR N.Z. PRODUCTS MAKE UNSATISFACTORY BASIS FOR TRADE RELATIONS.

ON NON-TRADE MATTERS, MULDOON REAFFIRMED THAT HE WOULD RAISE WITH FRENCH THEIR CONTINUED NUCLEAR TESTING IN SOUTH PACIFIC. IN SOUTH KOREA, HE SAID HE WOULD EXPRESS REGRET AT REPRESSIVE ACTIONS OF ROK GOVERNMENT WHILE ADMIRING THEIR ECONOMIC DEVELOPMENT AND FULLY RECOGNIZING THE NEED TO FACE UP TO THE AGGRESSIVENESS OF NORTH KOREA.

PRINCIPAL MESSAGE IN PRC WILL BE THAT N.Z. SEEKS FRIENDSHIP AND TRADE.

HE DEVOTED CONSIDERABLE ATTENTION TO RELATIONS WITH U.S. AND RECENT VISIT BY VICE PRESIDENT ROCKEFELLER, WHOM HE TERMED 'ONE OF THE REMARKABLE AMERICANS OF OUR TIME'. HE SAID THAT, CONTRARY TO ASSUMPTION OF MANY NEW ZEALANDERS THAT VP HAD COME TO TALK ABOUT DEFENSE MATTERS, THE BIGGEST SINGLE TOPIC OF CONVERSATION WAS HEALTH, EDUCATION AND WELFARE MATTERS IN WHICH VP IS EXPERT AND RECOGNIZED THAT N.Z.'S PROGRESS WAS IN SOME FIELDS AHEAD OF U.S. MULDOON SAID THAT SINCE TRADE IS N.Z.'S LIFE BLOOD, AND IT MOVES BY SEA, N.Z.'S POLICY MUST SUPPORT FREEDOM OF MARITIME MOVEMENT. MAIN THREAT TO THIS

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FREEDOM IS USSR FLEET. HE WAS PREPARED TO BELIEVE THAT USSR HAD BUILT UP NAVAL STRENGTH FOR DEFENSIVE MOTIVES, BUT USES TO WHICH IT HAS BEEN PUT HAVE BEEN "IMPERIALISM AND AGGRESSION". ONLY POWER THAT CAN RESIST THIS IS U.S. HE WAS PLEASED THAT U.S., DESPITE VIETNAM AND WATERGATE, STILL ACCEPTS GLOBAL RESPONSIBILITY AS GUARANTOR OF FREE WORLD. MULDOON SAID NPW VISITS WILL START SOON. SAID SCARE TALK BY OPPONENTS ABOUT 'U.S. NUCLEAR BASES IN N.Z.' IS NONSENSE, SINCE USG DOESN'T NEED BASES HERE. ADDED THAT NPW VISITS WILL NOT BE IN STRATEGIC CONTEXT BUT FRIENDLY VISITS BY SHIPS OF A FRIENDLY NAVY WHICH WILL BE WELCOMED BY REAL NEW ZEALANDERS. SAID OPPOSITION TO SUCH VISITS INCLUDES SOME SINCERE PEOPLE BUT ALSO SOME WHO FEEL MORE LOYALTY TO AN AGGRESSIVE FOREIGN POWER THAN TO N.Z. HE ASKED FOR HIS AUDIENCE'S SUPPORT FOR HIS GOVERNMENT'S POLICY IN THIS REGARD IN THEIR BUSINESSES (EXPECIALLY PORT-RELATED), IN DEALINGS WITH NEWS MEDIA AND EVEN IN CHURCHES.

COMMENT: IT WAS CLEAR THAT THE PRIME MINISTER WAS STILL UNDER THE FAVORABLE INFLUENCE OF THE ROCKEFELLER VISIT, WHICH, COMING JUST BEFORE MULDOON'S FIRST OVERSEAS TRIP, COULD NOT HAVE BEEN MORE TIMELY.

MULDOON REFRAINED FROM MENTIONING THE U.S. IN CONNECTION WITH N.Z.'S TRADE PROBLEMS WHICH HE HAD DONE IN VICE PRESIDENT ROCKEFELLER'S PRESENCE SEVERAL DAYS PREVIOUSLY.

MULDOON DID NOT SPELL OUT CLEARLY WHAT HE MEANT BY "DIRECT TRADING AGREEMENTS" WITH MAJOR TRADING PARTNERS. ON ANOTHER RECENT OCCASION,

HE EXPRESSED THE SAME IDEA BUT USED THE TERM "RECIPROCAL TRADING ARRANGEMENTS". HE DID NOT APPEAR TO BE THINKING IN TERMS OF THE MTN. ON THAT OCCASION HE USED AS EXAMPLE THE IDEA OF OFFERING JAPAN ASSURED ACCESS TO SUPPLY OF N.Z. FOREST PRODUCTS IN RETURN FOR INCREASED AND CONSISTENT ACCESS TO JAPAN'S MARKET FOR N.Z. MANUFACTURED PRODUCTS.

HE STRONGLY IMPLIED (AS HE HAS DONE ON OTHER RECENT OCCASIONS) THAT SOME IMPORTERS ARE NOT PLAYING THE GAME BUT ARE IMPORTING EXCESSIVE QUANTITIES TO BUILD UP STOCKS IN SPECULATION AGAINST A FURTHER DEVALUATION. HE INDICATED CLEARLY THAT IF THIS DOESN'T SLOW DOWN, THERE WILL BE FURTHER IMPORT RESTRICTIONS. HE APPEARED TO

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BE CALLING ON THE BUSINESS COMMUNITY TO POLICE ITSELF. HE HOPES TO DIVERT MONEY OUT OF INVENTORY INCREASES AND INTO FIXED PLANT AND EQUIPMENT, MEANING JOBS. MULDOON'S JAWBONING TACTICS COULD SUCCEED, SINCE THE N.Z. BUSINESS COOMMUNITY USUALLY DISPLAYS A HIGH LEVEL OF

CIVIC RESPONSIBILITY.

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